

ANNUAL REPORT

Rutland Railway Corporation



1956

RUTLAND RAILWAY *Corporation*

DIRECTORS

WALLACE M. FAY, *Chairman*

FRANK A. AUGSBURY, JR.
ALAN T. DANVER
WILLIAM I. GINSBURG
L. JAMES GUMPERT

L. DOUGLAS MEREDITH
FLOYD W. MOORE
JOSEPH A. QUINLAN
BERNARD A. STEINBACH

OFFICERS

ALAN T. DANVER.....*President*
BERNARD A. STEINBACH...*Vice President*

LLOYD G. BUCKLIN.....*Clerk*

OPERATING

SIDNEY M. RODGERS...*Vice President-
Operations*

WILLIAM E. LOVETT....*Superintendent*
NORMAN F. BRUCE....*Master Mechanic*
E. HAROLD LUNDIN....*Chief Engineer*

SALES AND SERVICES

GUY D. LARRABEE.....*Vice President-
Sales and Services*

STEPHEN A. CLIFFORD....*General Sales
Manager*
JOHN E. LAUGHLIN.....*Sales Manager-
Rates*

INDUSTRIAL DEVELOPMENT

WILLIAM I. GINSBURG...*Vice President*

TREASURY

ALAN T. DANVER.....*Treasurer*

JOHN K. ROBERTS...*Assistant Treasurer*

ACCOUNTING

LLOYD G. BUCKLIN.....*Comptroller*

JOSEPH G. LANAHAN.....*Assistant
Comptroller*

LAW

EDWIN W. LAWRENCE...*General Counsel*

ROBERT L. KEITH.....*General Claims
and Land Agent*

PURCHASING

JOSEPH E. MARCEAU...*Purchasing Agent*

RUTLAND RAILWAY CORPORATION

REPORT FOR 1956

To Our Stockholders:

Operating results of your Corporation for 1956 were more favorable than in 1955, the first year in which net income was shown. Net income for 1956 was \$452,816 as compared with \$272,197 for 1955.

Freight revenues, including switching charges, amounted to \$4,890,180, an increase of \$403,087, or 9%. This was due to an increase in tonnage combined with an increase in freight rates in effect about ten months of the year. Milk revenue continued to decline and amounted to \$245,125, a decrease of 7%, due to reduction in rail shipments from points on our line. Further decline in milk revenue seems inevitable.

Operating expenses amounted to \$4,238,499, an increase of \$281,193, or 7%. It has not been possible to entirely overcome the impact of higher wage rates and so-called fringe benefits established on a national basis, which the Rutland must now follow, and the increased cost of materials and supplies.

Additional freight revenues must be obtained to insure further improvement in our operating results. Solicitation of overhead or bridge traffic by an efficient Sales and Services Department is of prime importance. This department is now under the leadership of Mr. Guy D. Larrabee, Vice President—Sales and Services, succeeding

Mr. Ralph L. Andreas who left on September 24, 1956 to become Traffic Manager, Standard Oil Company (Indiana).

Since our last annual report representatives have been located additionally at Portland, Me., St. Louis, Mo., Kansas City, Mo. and Seattle, Wash.

Industrial development along our line is also of great importance. We look to the Ogdensburg, N. Y. region, with its low cost electric power from the St. Lawrence Power Project due for completion in 1958, as holding promise. The study of Frederic R. Harris, Inc., which was mentioned in report for 1955, emphasizes the possibility that the development of titanium deposits in this area may result in new industry. Ogdensburg Harbor development as a port for deep draft ships on completion of St. Lawrence Seaway may establish an important port of interchange of freight between rail and water transportation.

It is gratifying to note that our Balance Sheet now shows an actual surplus. The amount of this surplus, \$346,070, represents correctly the result of operations from November 1, 1950, the date this Corporation took over operation from the predecessor company, to December 31, 1956. The adjustment to make this possible is explained in footnote appearing on Balance Sheet.

OPERATIONS

Wage and price increases continued to be controlling factors in the cost of operation during the year. There was a decrease in total manhours worked of 17,706 under 1955, but this was offset by increased wage rates. This, along with higher prices of materials used, resulted in an increase of 7.2% in Operating Expenses over 1955. The percentage of revenue required to cover Operating Expenses was 81.48%, slightly lower than the previous year and the lowest in recent years on the Rutland.

Total wage cost, including payroll taxes, accounted for 71.6% of the Operating Expenses in 1956, compared with 75.7% in the previous year. The ratio of wage cost to operating revenue was 58.9%.

There was a slight increase (less than one-tenth of one per cent) in total freight train miles with an increase of 9.9% in the total number of tons handled. This demonstrates the fact that the Rutland is able to handle more tonnage on its trains without appreciable increases in train costs.

Gross ton miles per train hour showed a slight increase from 22,548 in 1955 to 22,617 in 1956.

IMPROVEMENTS

The greatest improvement made on the Rutland during the year was in the condition of its rolling stock.

In February we received fifteen 70-ton all-steel covered hopper cars, which have been used for the handling of crushed limestone and bulk grain.

In March we took delivery of one hundred 40' 6" fifty-ton all-steel box cars and in August we received another lot of one hundred similar cars. These cars have been in constant service and expense of hire of freight cars has been greatly reduced.

We currently have on order fifty more 50-ton box cars and twenty-five 70-ton all-steel gondola cars. Delivery of the box cars is expected in April of this year and of the gondolas in August. When these cars are received we will have a fleet of 390 modern all-steel cars, all of which will be less than three years old, in addition to the older cars still in service.

Three new units were added to our fleet of trucks used by the Maintenance of Way Department to enable them to more efficiently carry on their work.

Three and one-quarter miles of main track north of Rutland were rehabilitated by the laying of secondhand 105-lb. rail, replacing 90-lb., and by the installation of stone ballast. We continued our program of paving the shop area in Rutland to expedite the handling of material.

Some additional sidetracks were removed and the material salvaged and a number of buildings no longer required were sold or razed.

A new grain storage warehouse was constructed at Ogdensburg, N. Y. to provide additional capacity. Nearly one million bushels of wheat are now stored in this building and the grain elevator which was rehabilitated in 1955.

EMPLOYMENT AND WAGES

The average number of employees in 1956 was 583 and the total payroll, including payroll taxes, was \$3,065,913. In 1955 the average number was 599 and the total payroll, including payroll taxes, was \$2,997,269. It is interesting to note that the average annual wage cost per employee has risen and the average number of employees has decreased over the past four years as follows:

YEAR	AVERAGE ANNUAL WAGE	AVERAGE NUMBER
	COST PER EMPLOYEE	OF EMPLOYEES
1953	4,323	807
1954	4,677	702
1955	5,004	599
1956	5,231	583

FREIGHT TRAFFIC

Total carloads handled increased 6% over 1955.

Overhead or bridge traffic showed an 8% increase over 1955. This is the result of the expansion of our sales forces and the successful efforts on the part of those forces. Balance of traffic increased 4%.

Below is a comparison of total revenue freight cars loaded on line and received from connections for principal commodity groups:

	1956	1955	% Inc.
Grain, Feed, Flour, etc.....	8,087	7,398	9%
A. & B. Coal.....	8,041	7,232	11%
Stone and Rock.....	3,645	3,427	6%
Forest Products.....	5,476	5,450	½%
Petroleum, Refined.....	3,951	3,931	½%
Paper and Paper Products....	6,003	5,500	9%
Manufactures and Misc.....	20,887	19,877	5%
Total.....	56,090	52,815	6%

During the year 1956 your Board of Directors has continued to work with Management, Staff and Employees as a team. This cooperation, together with that of our patrons and stockholders, has been an essential factor in the progress shown and is acknowledged with appreciation.

The undersigned was elected President effective February 1, 1957. The accomplishments of the year 1956 came under the presidency of Mr. Gardner A. Caverly, who resigned to accept the office of Executive Vice President, New England Council. It has been my privilege to have had a part in the Management of your Corporation since 1951, following prior service as employee and officer (Chief Engineer) of the Corporation and predecessor Company dating back to 1925.

It will be our policy to continue to render satisfactory service to our shippers in order to merit their continued patronage, and otherwise to continue the sound policies that have prevailed to the betterment of all concerned.

For the Board of Directors,

Alan T. Hawer
PRESIDENT

The RUTLAND Yard . . .

Visitors to the Yard at Rutland are very complimentary about the changes which have been made by the Railroad in having a modern and efficient Yard. The Yard in the past few years has undergone many major changes.



STATEMENT OF INCOME

For the Years Ended December 31, 1956 and 1955

OPERATING REVENUES:

	1956	1955
Freight.....	\$4,890,180	\$4,187,003
Milk.....	245,125	263,656
All other.....	66,587	60,586
TOTAL.....	\$5,201,892	\$4,811,335

OPERATING EXPENSES:

Maintenance of Way and Structures:		
Depreciation—Road.....	\$ 100,132	\$ 107,709
All other.....	930,028	815,548
Maintenance of Equipment:		
Depreciation—Equipment.....	180,349	160,813
All other.....	432,727	452,002
Traffic (Sales and Services).....	335,857	308,849
Transportation.....	1,893,296	1,767,530
General.....	366,110	344,855
TOTAL.....	\$4,238,499	\$3,957,306

NET REVENUE FROM OPERATION

	\$ 963,393	\$ 854,029
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TAX ACCRUALS:

Payroll (Retirement and Unemployment).....	\$ 188,931	\$ 161,979
State, Local, Miscellaneous.....	130,414	152,616

TOTAL

	\$ 319,345	\$ 314,596
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OPERATING INCOME

	\$ 644,048	\$ 539,434
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RENT EXPENSE—NET:

Equipment Rental.....	\$ 180,808	\$ 241,838
Joint Facility Rents.....	40,922	51,659

TOTAL

	\$ 221,730	\$ 293,497
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NET OPERATING INCOME

	\$ 422,318	\$ 245,937
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MISCELLANEOUS INCOME—NET

	67,200	48,838
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INCOME AVAILABLE FOR FIXED CHARGES

	\$ 489,518	\$ 294,775
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FIXED CHARGES—Interest on Debt

	36,702	22,578
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NET INCOME TRANSFERRED TO RETAINED INCOME—

UNAPPROPRIATED.....	\$ 452,816	\$ 272,197
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RETAINED INCOME—UNAPPROPRIATED

For the Years Ended December 31, 1956 and 1955

	1956	1955
(DEBIT) BALANCE AT BEGINNING OF YEAR.....	\$(1,189,744)	\$(1,401,478)
CREDITS:		
Net Income for the Year.....	\$ 452,816	\$ 272,197
Miscellaneous.....	20,803	3,505
Transfer to acquisition adjustment account of the deficit from operations of the predecessor company prior to date of assumption of operations by the present corporation.....	970,636	—
TOTAL CREDITS.....	\$ 1,444,255	\$ 275,702
DEBITS—Miscellaneous.....	19,935	3,968
NET CREDITS.....	\$ 1,424,320	\$ 271,734
CREDIT (DEBIT) BALANCE AT END OF YEAR.....	\$ 294,576	\$(1,129,744)

Rutland Railway Corporation

Balance Sheet, December 31, 1956 and 1955

ASSETS

	1956	1955
CURRENT ASSETS:		
Cash	\$ 615,283	\$ 515,426
Special Deposits	72,141	70,025
Net Balances Receivable from Agents	101,695	58,549
Miscellaneous Accounts Receivable	89,703	50,657
Due from Affiliated Company	41,280	6,452
Accrued Accounts Receivable	51,006	42,852
Prepayments	10,088	7,128
Material and Supplies	505,491	475,592
Other Current Assets	2,798	3,187
Total Current Assets	\$ 1,489,185	\$ 1,229,808
CAPITAL AND OTHER RESERVE FUNDS:	\$ 219,313	\$ 356,608
INVESTMENTS:		
Stock of Affiliated Company	\$ 20,000	\$ 20,000
Loans to Affiliated Company	292,500	120,000
Other Investments	29,138	29,138
Total Investments	\$ 341,638	\$ 169,138
PROPERTIES:		
Road and Equipment Property	\$24,888,626	\$23,790,239
Miscellaneous Physical Property	646,827	651,774
Total	\$25,535,453	\$24,442,013
Less:		
Acquisition Adjustment	\$11,311,866	\$12,287,286
Donations and Grants	2,474	2,474
Total	\$11,314,340	\$12,289,760
Investment in Property	\$14,221,113	\$12,152,253
Less Recorded Depreciation	2,921,217	2,966,120
Investment in Property Less Recorded Depreciation	\$11,299,896	\$ 9,159,133
OTHER ASSETS AND DEFERRED CHARGES:	\$ 77,826	\$ 78,519
Total Assets	\$13,427,858	\$10,963,266

LIABILITIES AND SHAREHOLDERS' EQUITY

	1956	1955
CURRENT LIABILITIES:		
Traffic and Car—Service Balances	\$ 18,460	\$ 4,593
Audited Accounts and Wages Payable	288,389	270,354
Miscellaneous Accounts Payable	71,942	73,111
Interest Matured Unpaid	9,854	10,853
Accrued Accounts Payable	25,279	52,904
Taxes Accrued	46,964	41,074
Other Current Liabilities	33,679	30,268
Total Current Liabilities	\$ 494,567	\$ 483,157
LONG-TERM DEBT—Equipment Obligations (includes \$360,704 maturing in 1957)	\$ 1,428,560	\$ 438,177
CASUALTY AND OTHER RESERVES:	\$ 158,854	\$ 132,719
DEFERRED CREDITS	\$ 6,807	\$ 24,463
SHAREHOLDERS' EQUITY:		
Capital Stock:		
5% Cumulative Preferred, \$100 Par Value—Authorized and Outstanding, 49,818 Shares	\$ 4,981,800	\$ 4,981,800
Common, \$100 Par Value—Authorized and Outstanding, 60,112 Shares	6,011,200	6,011,200
Total	\$10,993,000	\$10,993,000
Capital Surplus	\$ 1,494	\$ 1,494
Retained Income (Deficit):		
Appropriated	\$ 50,000	\$ 50,000
Unappropriated (See Notes)	294,576	(1,129,744)
Total	\$ 344,576	\$ (1,079,744)
Total Shareholders' Equity	\$11,337,576	\$ 9,914,750
Total Liabilities and Shareholders' Equity	\$13,427,858	\$10,963,266

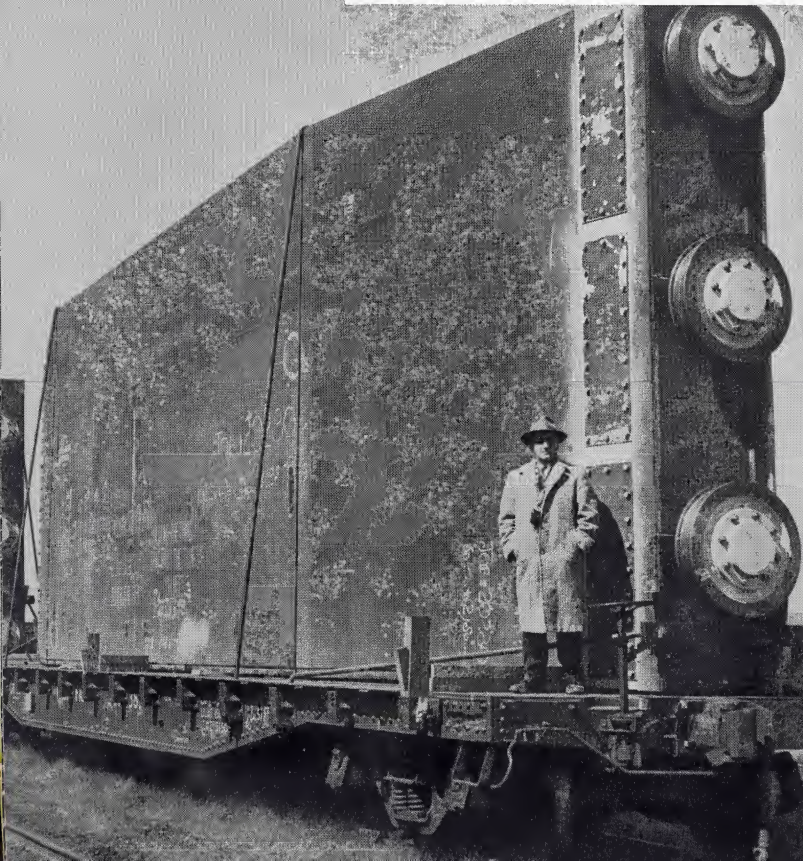
Notes to Balance Sheet

The retained income at December 31, 1956 is stated after giving effect to an adjustment transferring to acquisition adjustment account, the deficit from operations accumulated by the predecessor company, Rutland Railroad Company, prior to date of assumption of operations by the present corporation, Rutland Railway Corporation, on November 1, 1950. As a result of this entry, which was approved by the Interstate Commerce Commission, the retained income account now reflects the retained earnings accumulated during the period of actual operation by the new corporation.

Dividends on the preferred stock are cumulative, if not paid, up to but not exceeding fifteen per cent at any one time. At December 31, 1956 dividends on the preferred stock were fifteen per cent in arrears, amounting to \$747,270.

RUTLAND Handles Large Shipments

This picture illustrating the Railroad's ability to handle shipments of excessive dimensions, shows one of the sluice gate sections for the Iroquois Dam on the Saint Lawrence River. Several of these sections were hauled by the RUTLAND for this dam. Agent Frank Murray of Ogdensburg is shown aside a section on a car in the Ogdensburg Yard.



HIGHLIGHTS OF THE YEARS

	1956	1955	1954	1953	1952	1951
Operating Revenues.....	\$5,201,892	\$4,811,335	\$4,551,987	\$5,068,717	\$5,685,875	\$5,828,375
Operating Expenses.....	4,238,499	3,957,306	4,056,724	4,655,075	5,205,523	5,436,513
Ratio of Expenses to Revenues.....	81.480%	82.250%	89.137%	91.839%	91.988%	93.277%
Miles of Railroad Operated.....	391.47	391.50	391.52	391.52	393.58	396.67
Payroll.....	3,040,459	2,835,290	3,107,094	3,315,584	3,773,323	3,848,314
Ratio Payroll to Revenues.....	58.449%	58.929%	68.27%	65.413%	66.680%	66.680%
Payroll Taxes.....	188,931	161,979	176,203	173,448	197,567	242,594
Net Income.....	\$ 452,816	\$ 272,198	(\$122,911)	(\$95,794)	(\$108,765)	(\$205,097)

EQUITY IN ROLLING STOCK

December 31, 1956
Acquired Since November 1, 1950

	Acquired	Cost	Paid	Equity	Balance Outstanding
Diesels No. 200-204.....	June, 1951	\$ 737,948.00	\$ 707,675.00	95.9%	\$ 30,273.00
Diesels No. 205-208.....	July, 1952	623,320.00	505,616.00	95.6%	27,704.00
Diesels No. 401-405.....	Sept., 1951	571,415.00	538,157.00	94.2%	33,258.00
Diesel No. 500.....	Nov., 1951	74,895.00	74,895.00	100 %	—
Steel Box Cars No. 100-149.....	July, 1954	323,316.00	248,066.00	76.7%	75,250.00
Steel Box Cars No. 150-199.....	Feb., 1955	320,000.00	187,500.00	58.6%	132,500.00
Steel Box Cars No. 200-209.....	Mar., 1956	1,548,621.00	419,046.00	27.1%	1,129,575.00
Steel Box Cars No. 300-399.....	Aug., 1956				
Steel Hopper Cars No. 500-514.....	Jan., 1956				
Jordan Spreader No. X-180.....	Dec., 1955				

HASKINS & SELLS
ACCOUNTANTS

80 FEDERAL STREET
BOSTON 10

ACCOUNTANTS' CERTIFICATE

RUTLAND RAILWAY CORPORATION:

We have examined the balance sheet of Rutland Railway Corporation as of December 31, 1956 and the related statements of income and of retained income-unappropriated for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and retained income-unappropriated present fairly the financial position of the Corporation at December 31, 1956 and the results of its operations for the year then ended, in conformity with principles of accounting prescribed or authorized by the Interstate Commerce Commission.

March 15, 1957

Haskins & Sells

TRAIN, LOCOMOTIVE AND CAR-MILES

	1956	1955
TRAIN-MILES:		
Freight.....	493,390	489,281
Work Service.....	4,980	4,566
LOCOMOTIVE-MILES:		
Freight—Principal.....	493,390	489,338
Freight—Helper.....	137,566	123,558
Freight—Light.....	383	302
Freight—Train Switching.....	15,338	18,174
Freight—Yard Switching.....	137,575	137,153
Total Locomotive-Miles.....	784,252	768,525
Work Service Locomotive-Miles.....	4,980	4,566
CAR-MILES:		
In Freight Trains—		
Loaded Freight Cars.....	8,818,456	8,675,017
Empty Freight Cars.....	2,695,266	2,950,562
Caboose.....	412,232	411,723
Total Freight Train Car-Miles.....	11,925,954	12,037,302
In Freight Trains—		
Mail, Express, Baggage Cars, etc.....	865,101	878,867
Business Cars.....	2,668	2,142
Crew Cars (Excepting Caboose).....	81,962	83,220
Total Passenger Train Car-Miles.....	949,731	964,229
Total Car-Miles.....	12,885,685	13,001,531
Work Service Car-Miles.....	19,639	21,690

FREIGHT TRAFFIC STATISTICS

	1956	1955
FREIGHT:		
Tons Carried—Revenue.....	1,881,884	1,712,673
Tons Carried—Company.....	29,243	25,800
Tons Carried—Total.....	1,911,127	1,738,473
Tons Carried One Mile—Revenue.....	252,919,699	241,107,014
Tons Carried One Mile—Company.....	2,567,301	2,287,986
Tons Carried One Mile—Total.....	255,487,000	243,395,000
Freight Revenue (A/C 101).....	\$4,816,737.40	\$4,398,512.56
Averages:		
Miles of Road Operated.....	391.47	391.50
Revenue Per Ton.....	\$ 2.55953	\$ 2.56822
Revenue Per Ton Mile.....	\$.01904	\$.01824
Miles Per Revenue Ton.....	134.397	140.778
Ton-Miles Per Mile of Road (Rev.).....	646,077	615,854



The annual report of the RUTLAND last year received the above award as one of the outstanding financial reports in the nation.

RUTLAND *Sales and Services*

Rutland, Vt.

Guy D. Larrabee.....*Vice President*
Stephen A. Clifford.....*General Sales Manager*
John E. Laughlin.....*Sales Manager—Rates*
Frederick A. Martel.....*Assistant Sales Manager—Rates*

OFFICERS

Rutland, Vt. Phone: PProspect 3-3331

John A. Halpin.....*Sales Manager*
Herman E. Buchheim
.....*Assistant Sales Manager*
John J. Mullen, *District Sales Manager*
Raymond W. Carroll
.....*Manager Milk Sales*

Detroit, Mich.

Phone: WWoodward 5-7370

Arthur A. Lindsay
.....*District Sales Representative*

CENTRAL REGION

Boston, Mass. Phone: CCapital 7-3381

John E. McGarrity.....*Sales Manager*
Albert L. Taylor
.....*District Sales Representative*
John A. Clark
.....*District Sales Representative*

Portland, Me. Phone: SPruce 5-0541

Charles J. Reagan
.....*District Sales Representative*

NORTHEASTERN REGION

Chicago, Ill. Phone: WAbash 2-2593

Oliver L. Crawford
.....*Assistant Vice-President*
Ray I. Nova.....*District Sales Manager*
Raymond D. McDonald
.....*District Sales Representative*
Heaton L. Bullock
.....*District Sales Representative*

Kansas City, Mo.

Phone: VVictor 2-0766

John L. Larson
.....*District Sales Representative*

St. Louis Mo.

Phone: JEfferson 3-5500

Hugh W. Anderson
.....*District Sales Representative*

WESTERN REGION

Cincinnati, Ohio.

Phone: CHerry 1-1126

John D. Lewis.....*District Sales Manager*

Seattle Wash. Phone: MMutual 6430

Marshall O. Culton
.....*District Sales Representative*

EASTERN REGION

New York City.

Phone: LOnacre 3-5997

Richard O. Fawcette.....*Sales Manager*
Walter H. Lodge, *Special Representative*
James F. Phalen
.....*District Sales Representative*